

Upstream Dialogue

Keeping employees informed about Canada's oil and gas industry.

V2-2009 March

In this edition of Upstream Dialogue

Industry in the News

[read more](#)

Employee Perspectives

A typical day for Devon Construction Lead, Marc LaBerge consists of managing two constantly ringing phones, shifting construction schedules, or wading knee-deep in mud and muskeg. Ask him which one he prefers: mud and muskeg always win. [read more](#)

Industry Practice and Regulations

Learn about new regulatory changes. [read more](#)

Stewardship

Learn about Imperial Oil Resources' Native Internship program. [read more](#)

Technology and Innovation

Find out what ConocoPhillips Canada is doing to manage fugitive emissions. [read more](#)

CAPP EVENTS & UPDATES

Energy in Action

May 4 - 29, 2009

Since 2004, Energy in Action has taught more than 3,800 students and planted nearly 4,000 trees and shrubs across Canada.

[Learn](#) how your company can get involved in this year's event.

Investment Symposium

June 15 - 17, 2009

Registration for the 20th Annual CAPP Oil and Gas Investment Symposium is [now open](#).

Photo courtesy of Devon Canada Corporation



Industry in the News

Offshore Tragedy

CAPP joins its members across the country in mourning the victims of the terrible helicopter crash that occurred offshore Newfoundland and Labrador on March 12. Our thoughts are with the victims, and the families and friends close to this tragedy.

Newfoundland and Labrador produces its billionth barrel of oil

January 23, 2009 – On the heels of celebrating its 10th year as an oil-producing province, Newfoundland and Labrador has achieved another significant milestone with the production of its one billionth barrel of oil from its three offshore oil projects – Hibernia, Terra Nova and White Rose.

► Read the Government of NL [news release](#)

Fort Chipewyan cancer study findings released

February 6, 2009 – Alberta Health Services has released the results of a survey examining cancer rates in the community of Fort Chipewyan, which is downstream from oil sands production. Concerns were raised about the number of cancer cases in the community.

The study identified three key conclusions:

- The incidence of rare cancers in Fort Chipewyan is within the expected range;
- The cancer rate overall is higher than expected; and
- The findings are based on a small number of cases and could be due to chance, increased detection, or increased risk in the community.

The study did not identify the reasons for higher cancer rate, and recommended further study. To date, through the studies conducted, no link has been made between health related issues and oil sands development.

- Read the Alberta Health Services [news release](#) with a link to the report
- Read [CAPP's response](#) to the recently released documentary about cancer in Fort Chipewyan titled Downstream



National Geographic portrays the oil sands

The March 2009 edition of National Geographic features a story about Alberta's Oil Sands titled *Scraping Bottom*. National Geographic has a reputation of being a balanced and objective magazine with pictures that represent the issue the article is discussing. This was not evident in the article as it did not tell the full story.

In response to the article Rex Murphy gave his perspective and provided the other side of the story. We are seeing a growing trend in the media, offering more of a balanced perspective on the industry.

The challenge industry faces is to balance energy, environment and economy. The environment is important to the oil sands industry and future generations, but so is the economy in providing jobs to several hundred thousand Canadians while producing a resource that is in high demand.

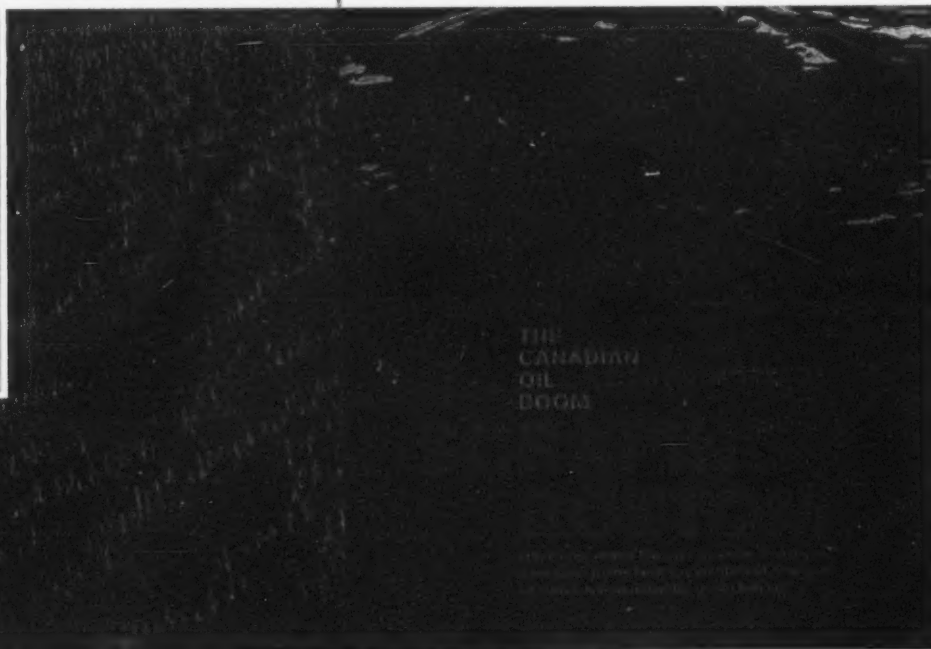
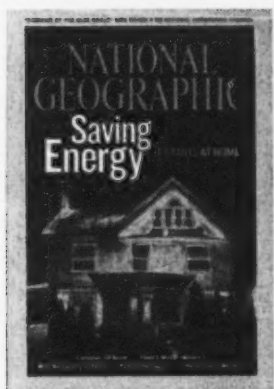
- Read [National Geographic: Scraping Bottom](#)
- Read the [response](#) from Dave Collyer, President of CAPP
- Watch CBC News commentator Rex Murphy's describe his [perspective](#)
- Have your say. [Join](#) the discussion on Canada's oil sands

US President Barack Obama Visits Canada

February 19, 2009 – On his first foreign visit since his inauguration, President Obama met with Prime Minister Stephen Harper to discuss several global issues. Energy, the environment and the economy were all key discussion items. As part of their agenda, the two leaders discussed energy security and established a U.S. – Canada Clean Energy Dialogue.

Industry is optimistic about the President's balanced approach. Industry is also encouraged by the focus on technology as a way of making progress on climate change. We will continue to monitor the progress and encourage further oil sands discussion.

- Read the Government of Canada's [news release](#)



Employee Perspectives

Construction Lead brings pipelining innovation to Devon

BIO

Name: Marc LaBerge

Company: Devon Canada Corporation

Title: Construction Lead

Experience: 21 years

Location: Based in Devon's Calgary office

Best part of the job: "It's different every day, every week. That's what I love about it."

Success story: Introduced the innovative concept of low-impact pipelining to Devon.



Devon employee Marc LaBerge (centre) reviews plans with contractors and government.

Marc LaBerge is responsible for scheduling resources and managing the relationship between Devon and its contractors. These contractors manage, construct and inspect the equipment, pipelines, and gas and oil processing facilities the company builds across Alberta and British Columbia.

Despite being based in Calgary, Marc has recently been spending plenty of time out of the office.

In late 2007, Marc acted on an idea for a new operating procedure called low-impact pipelining. He noticed the significant impact that traditional pipelining activities can have on the land and, concurrently, on farmers. Sunken ditch-lines, sometimes caused by pipelining, are often not visible to farmers until they hit the depressions with their equipment, sometimes causing equipment damages. In addition, the farmer must pass over these depressions hundreds of times during a growing season forcing adjustments to speed, spray, fertilizer, and seed rates, etc. This means lost time, money and efficiency. For Devon, it means high costs of repairs to land and equipment, and strained relationships with landowners.

"We started to see opportunities which encouraged change," Marc said. "Things like finding ways to reduce the impact we had on the land, on crop yields, on our relationships with farmers and communities, and ultimately, on our bottom line."

LaBerge's solution was to bring the innovative pipelining concept to Devon in partnership with the provincial environment department. Pilot projects for this new method have proven successful. Low-impact pipelining requires less topsoil disturbance, smaller right of ways, slimmer bucket design to dig narrow trenches, and reduced clean-up costs. Additionally, it reduces downtime for both industry and farmers — less crop damage, spring clean up and future repairs. As a result, it is also helping Devon build stronger relationships with stakeholders. LaBerge is currently extending this partnership model to work with other government departments and stakeholders.

Marc knew this new approach was the right thing to do and his dedication resulted in Devon changing their Standard Operating Practice on all agricultural land to use this innovative pipelining strategy. ■

**"Pipelining hasn't
changed much in
Canada over the last
40 years so this is
really industry-
leading work."**

Marc LaBerge

Industry Practice and Regulations

Federal Budget

On January 27, 2009 Department of Finance Canada released the 2009 federal budget, *Canada's Economic Action Plan*.

Although none of the new measures were directly targeted towards the oil and gas industry, there are still several potential implications. Some of the budget items that will indirectly affect CAPP member companies include:

Access to Financing and Strengthening the Financial System

CAPP member companies could face less challenge in finding financing. The Federal Government will spend \$200 billion through a new Extraordinary Financing Framework to improve access to financing for both households and businesses.

Corporate Tax Rates

Steps are being taken to help Canadian businesses become more competitive. In the 2008 budget, it was announced that the corporate income tax rate would progressively decrease. That item has been reinforced in the 2009 budget. The rate will gradually move down from 19 per cent currently to 15 per cent in 2012.

Environmental Initiatives

Some funding has been allocated for clean energy projects. The budget provides \$1 billion for a new Clean Energy Fund that will support energy research, development and demonstration projects including carbon capture and storage.

- Read the [2009 Federal Budget: Canada's Economic Action plan](#)

BC Royalty Program Amendments

On February 3, 2009, the Government of British Columbia announced three changes to the Deep Well Royalty Program. The three changes include modification to the location of the east/west line, recognition of longer portions of horizontal lengths drilled, and improvements to well qualification criteria. All changes are aimed at encouraging the development of deep natural gas resources, essentially improving BC's competitive position in the oil and gas industry.

- Read the Government of British Columbia's [news release](#)
- Learn more about the [Deep Well Royalty Program](#)

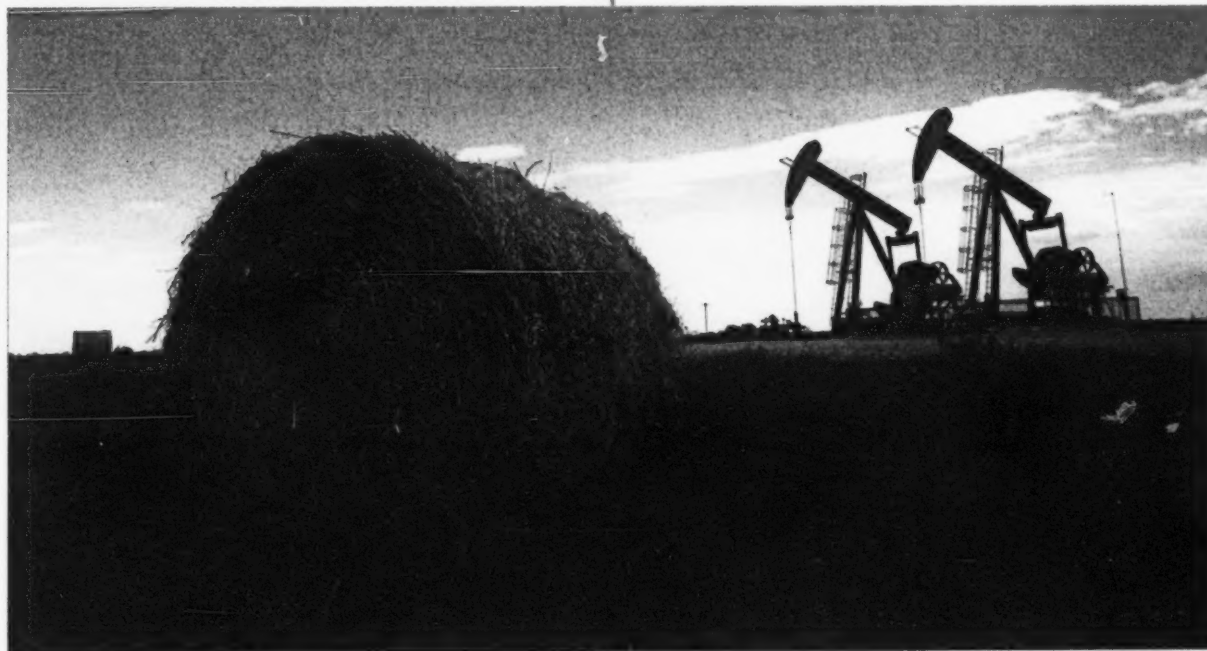


Photo courtesy of EnCana Corporation

20-year Oil Sands Development Plan

On February 13, 2009 the Government of Alberta released its 20-year plan for oil sands development titled *Responsible Actions: A Plan for Alberta's Oil Sands*.

The plan, which is linked to the Alberta Energy Strategy, outlines an integrated approach for government, industry, and communities to manage the economic, social and environmental challenges and opportunities in the oil sands regions.

Industry supports this plan because it indicates that government is taking the necessary steps to raise the bar on environmental performance while balancing economic outcomes. The plan also has a focus on engagement with everyone from small local communities to international trading partners. CAPP will continue to work with government and Albertans as the plan moves forward.

- Read the [Responsible Actions: A Plan for Alberta Oil Sands](#)

AB Royalty Action and Drilling Incentive Program

On March 3, 2009 the Alberta government announced a new drilling incentive program designed to address economic problems stemming from current economic circumstances and shrinking investment in the Alberta oil and gas sector. Highlights of the program include:

A drilling royalty credit will offer \$200 in royalty credits per metre drilled on new conventional oil and natural gas wells. Maximum benefits will be provided to smaller oil and gas companies.

A new well incentive program provides a maximum five per cent royalty rate for all new wells that begin producing conventional oil and natural gas between April 1, 2009 and March 31, 2010.

The province will invest \$30 million in the reclamation of orphan oil and gas wells.

In the short term, industry sees this program as a step forward in increasing oil and gas activity, increasing employment for Albertans, and addressing environmental concerns. The next step to ensuring Alberta is attractive to long-term investment will be to complete the government announced competitiveness review.

- Read the Alberta Government's [news release](#)

MYTHS & FACTS

Myth

Developing Alberta's oil sands will require mines the size of Florida (which is about 170,000 square kilometers).

Fact

Alberta's total oil sands deposits cover about 140,000 km². However, less than three per cent of that area can be mined from the surface — about 3,450 km². The other 97 per cent is too deep to mine and will be recovered using insitu methods. Insitu simply means drilling in place. It is a technique that involves drilling into the reservoir from central pads and is similar to conventional oil drilling.

Current oil sands mining in Alberta impacts about 420 km² of land. This is equivalent to an area slightly smaller than the size of Edmonton. These mines are required to be reclaimed, but this does take time. For example, Syncrude has already reclaimed 22 per cent of the area it has mined.

- For more information read CAPP Publication: [Environmental Challenges and Progress in Canada's Oil Sands](#)



One of Syncrude's reclaimed mine sites, Bill's Lake.

Environmental Enforcement Bill C-16

On March 4, 2009 a new federal environmental enforcement bill was introduced in Parliament. Bill C-16 is aimed at tougher enforcement of several existing environment and wildlife legislation. Key provisions of the new bill include higher maximum fines, the introduction of minimum fines, more power to enforcement officers to investigate cases, and new sentencing authority to courts to ensure penalties reflect the seriousness of the pollution and wildlife offences. CAPP will continue to follow the progress of this bill.

- Read Environment Canada's [news release](#)
- Read [Bill C-16](#)

First Nations and Metis Consultation Guidelines: Update

CAPP is currently engaged with government in the development of policies and guidelines aimed at improving First Nations and Metis consultation.

Initiatives with the Alberta, British Columbia, and Saskatchewan governments are currently underway.

In discussions, CAPP emphasizes two key issues:

The development of a clearly articulated process that includes defined roles, timelines, and costs, and

A framework for economic benefits and opportunities intended to support the governments' efforts to ensure the long-term sustainability of local communities.

Industry recognizes consultation as a complex and sometimes controversial subject. We rely upon Crown leadership and direction that supports the ability of First Nation and Métis communities to effectively participate in project-based consultation processes. When communities have the ability to fully participate, discussion outcomes are more effective because they are based on collaborative relationships and dialogue.

International Financial Reporting Standards (IFRS)

Canadian public upstream oil and gas companies face a challenging transition to IFRS as they significantly change their current accounting policies and perhaps their business practices. Therefore, CAPP has developed an Information Guide on Adoption and Implementation of International Financial Reporting Standards for the Canadian Upstream Oil and Gas Industry. This guide has been developed for CEOs, CFOs, VP Finances, Controllers, and staff directly involved in the preparation and dissemination of a company's quarterly financial statements and annual reports.

- Access the new [IFRS Information Guide](#)



Information Guide on
Adoption and Implementation of
**International Financial
Reporting Standards**
for the Canadian Upstream
Oil and Gas Industry

CAPP

Canadians Association
of Petroleum Producers

sepac

Additional support provided by
CA²

February 2009

Stewardship

2008 Steward of Excellence Award recipient –
Social Performance



Imperial Oil Resources – Native Internship Program

In the early 1990s, Imperial Oil Resources Cold Lake Operations founded the Imperial Native Network. Part of the Network's mandate was to support training and academic programs, and improve the recruitment and retention of Aboriginal employees.

In 1998, the Network created the Native Internship Program, an on-the-job educational initiative for local Aboriginal peoples. This highly successful program provides participants with two years of paid job training and a power engineering certificate. Imperial has hired 100 per cent of program graduates.

Watch a video to learn more about the
program and see how it has been a
success for intern graduate Pamela McNeil.



CAPP LUNCH & LEARNS

**Sharing best practices: Chevron Canada –
Zero is Attainable initiative**

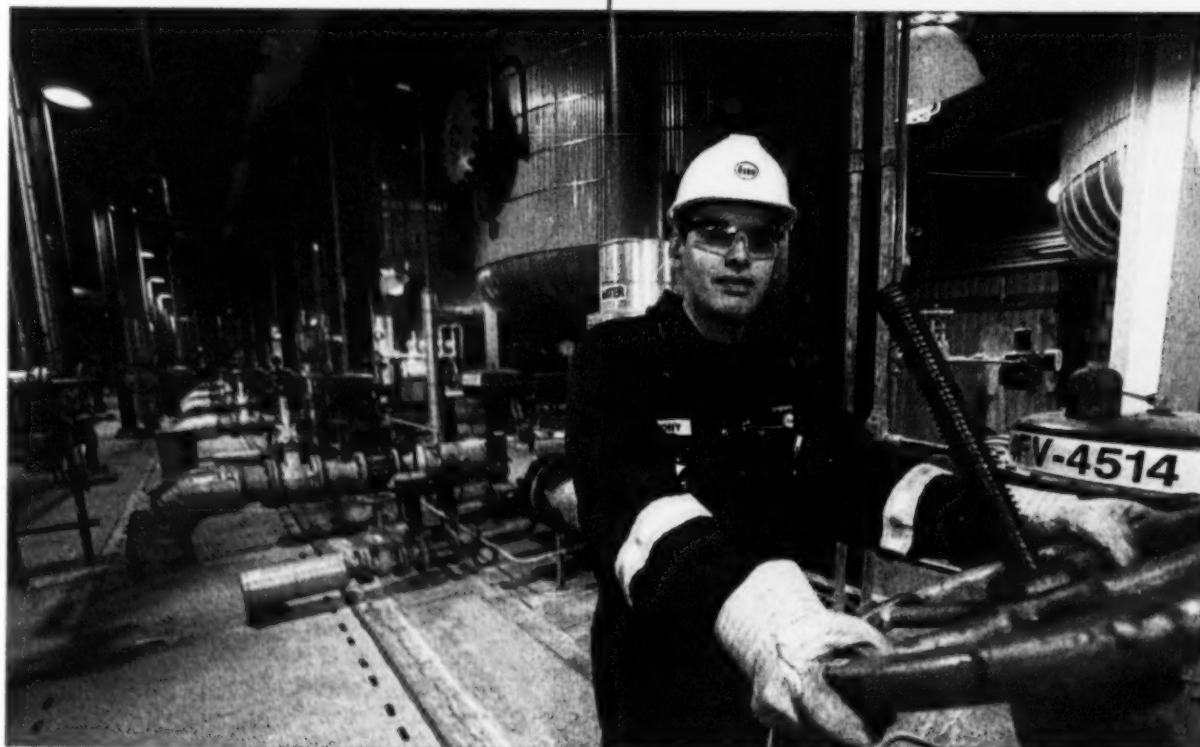
April 21, 2009 12 – 1 p.m.

CAPP Boardroom – Lunch provided
2100, 350-7th Ave SW

Join Troy Geertson, Health, Environment & Safety Team Lead, Chevron Canada Ells River project as he discusses the development of the Zero is Attainable initiative. Chevron received the 2008 CAPP Steward of Excellence Award for Health and Safety for this program.

All employees of CAPP member companies are welcome to attend this session. Register now, as space is limited.

To register, contact: Lorraine van der Lans
403.267.1164 or lorraine.vanderlans@capp.ca.



Native Internship Program graduate Anthony Badger, has been employed with Imperial Oil for five years.



Technology and Innovation

Steward of Excellence Award recipient –
Environmental Performance



Managing fugitive emissions with infrared video technology

Our industry is working hard to be more efficient in our operations by reducing the greenhouse gas emissions we emit per barrel of oil or unit of natural gas we produce.

ConocoPhillips Canada took up the emissions challenge with a pilot project in 2006 called the Fugitive Emissions Reduction Program. The company's goal was to find, measure and reduce or eliminate these fugitive gases at 22 of its processing plants.

The cost-benefit of this program is significant, with the possibility of recovering \$10 million a year in product and an 18 per cent reduction in the company's greenhouse gas emissions.

Watch a video to learn more about
the Fugitive Emissions program.



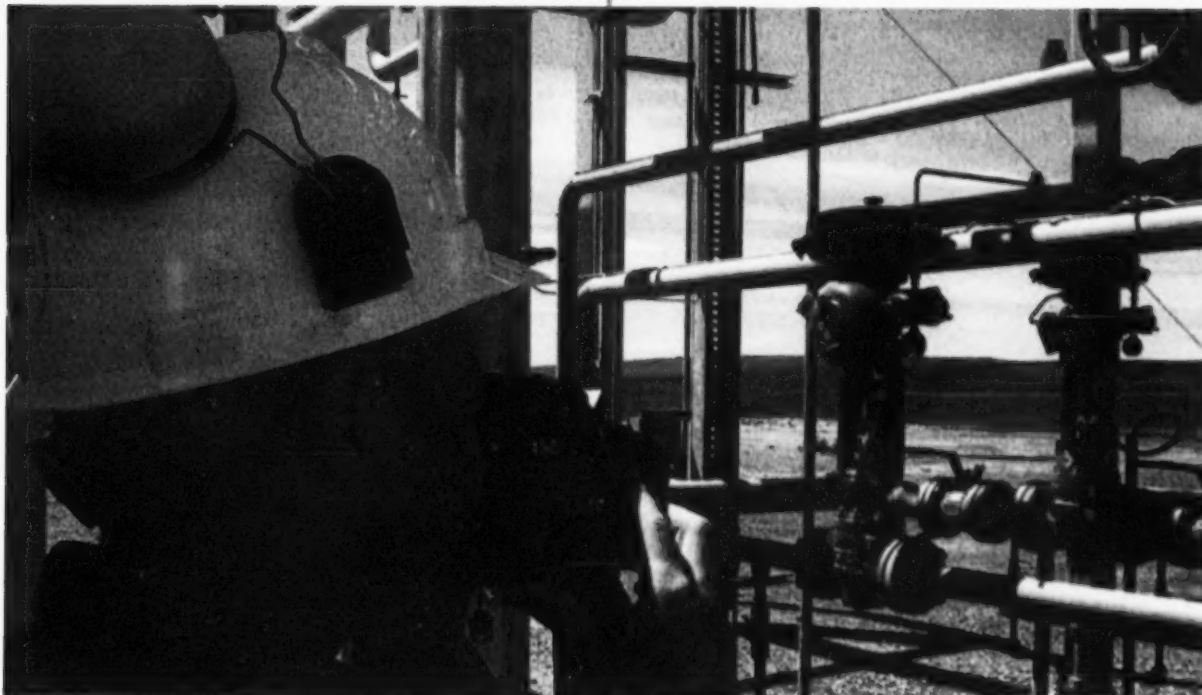
Nominate your company for a
2009 Steward of Excellence Award

Award Nominations Deadline: April 15, 2009

The Steward of Excellence Awards recognize CAPP members who have demonstrated exceptional performance in their commitment to Stewardship. Your company is invited to submit a nomination for an award for an environmental, health and safety, and/or social project.

All Stewardship Award nominees receive recognition through placement in CAPP's award nominations booklet. Many nominees will also be featured on CAPP's external and MemberNet websites, the CAPP Stewardship Report, in advertising campaigns, and in *Upstream Dialogue*. Award recipients will be recognized at the Steward of Excellence Awards dinner on May 26.

- Nominate your company for an award.
- Review the 2008 Steward of Excellence Award Nominees



A ConocoPhillips employee uses infrared technology to detect fugitive emissions.

The Canadian Association of Petroleum Producers (CAPP) represents 130 companies that explore for, develop and produce natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 95 per cent of Canada's natural gas and crude oil. CAPP also has 150 associate members that provide a wide range of services that support the upstream crude oil and natural gas industry. Together, these members and associate members are an important part of a \$120-billion-a-year national industry that affects the livelihoods of more than half a million Canadians.

2100, 350 – 7 Avenue SW
Calgary, Alberta
Canada T2P 3N9
Telephone: 403.267.1100
Fax: 403.261.4622

403, 235 Water Street
St. John's, Newfoundland and Labrador
Canada A1C 1B6
Telephone: 709.724.4200
Fax: 709.724.4225

If you would like to receive this newsletter directly from CAPP, email your request to communication@capp.ca.

March 2009

FEEDBACK

Your feedback, questions and/or comments are always welcome. Your input is important as we work to provide you with information about Canada's oil and gas industry.

► Send us your [feedback](#)

PUBLICATION OPPORTUNITY

We are looking for employee stories to publish in our Employee Perspectives section. If you know of a CAPP member company employee who has taken a leading role in an innovative company project, they may be eligible for feature in *Upstream Dialogue*.

Please submit a brief bio, any existing published stories, and appropriate contact details about the employee to communication@capp.ca.

